

**FILED**

**APR - 6 2016**

**U.S. DISTRICT COURT  
EASTERN DISTRICT OF MO  
ST. LOUIS**

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF MISSOURI  
EASTERN DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

v.

STUART B. MILLNER,

Defendant.

No. \_\_\_\_\_

**4:16CR00153 CDP/NCC**

**INDICTMENT**

The Grand Jury charges that:

**GENERAL ALLEGATIONS**

1. On or about January 23, 2002, Watson Road Holding Corporation was incorporated under the laws of the State of Missouri.

2. On or about February 11, 2002, Stuart B. Millner & Associates was registered by Defendant STUART B. MILLNER as a fictitious registration for Watson Road Holding Corporation. For the remainder of this Indictment, Watson Road Holding Corporation shall be referred to by that fictitious registration, or as "SBMA."

3. On or about August 5, 2010, MILLNER caused to be filed an Amendment to the Certificate of Limited Partnership of Garvin Industrial Associates, L.P. ("Garvin") under the laws of the State of Missouri, which amended said Certificate to name MILLNER as the sole general partner of Garvin.

4. On or about June 20, 2013, MILLNER caused to be filed a Certificate of Formation for Columbus Business Center, LLC ("CBC") under the laws of the State of Mississippi.

5. On or about October 10, 2013, MILLNER caused to be registered Machinery Mart, LLC ("Machinery Mart") under the laws of the State of Mississippi.

6. At all times relevant to this Indictment, SBMA was engaged in the business of appraising, marketing, liquidating, and auctioning assets from industrial and commercial facilities.

7. At various times relevant to this Indictment, SBMA entered into contracts with several clients, denominated "Asset Management Agreement[s]" (the "Agreements"), which provided the terms under which SBMA would conduct auctions to sell certain property of its clients.

8. Among other things, the Agreements provided that SBMA would retain, from the proceeds of a sale, a "Project Management Fee," which operated as a commission charged to the client with whom SBMA had contracted, and a "Buyer's Premium," which operated as a commission charged to the purchaser of a particular asset. Although the terms of the Agreements varied from client to client, several of the Agreements provided that a portion of the Buyer's Premium would be remitted by SBMA to the client. The Project Management Fee and the Buyer's Premium, less any portion of the Buyer's Premium required under the Agreements to be remitted to a client, shall hereafter be referred to as the "Commissions." The amount of sale proceeds obtained by SBMA from any such sale, less any applicable Commissions, shall hereafter be referred to as the "Client Proceeds."

9. The Agreements further provided that SBMA would provide to each client an accounting and reconciliation of all proceeds received by SBMA on behalf of that client in a timely manner, typically no more than 31 days after receipt of said proceeds, and that SBMA would contemporaneously remit to the client an amount equal to the Client Proceeds for all lots sold and removed from the client's premises as of that date.

10. At all times relevant to this Indictment, SBMA held several accounts at the Bank of Sullivan in Union, Missouri, including accounts with the following ending four digits and the following names (together, the “Accounts”):

Ending Account Numbers	Name of Account Holder
5007	Watson Rd Holding Corporation D/B/A Stuart B. Millner & Assoc (the “Corporate Account”)
5044	Watson Rd Holding Corporation D/B/A Stuart B. Millner & Assoc NOW Sweep Operating (the “Operating Account”)
6444	Watson Rd Holding Corporation D/B/A Stuart B. Millner & Assoc Escrow Account (the “Escrow Account”)

The Operating Account bore a “sweep” relationship with the Corporate Account, meaning that, on nearly a daily basis, funds from the Operating Account would be automatically transferred into the Corporate Account. Despite being denominated as an “Escrow Account,” funds in the Escrow Account, including Client Proceeds, were frequently transferred from the Escrow Account to the Operating Account by SBMA.

#### THE SCHEME

11. Beginning at least as early as February 1, 2011, and continuing through at least August 28, 2015, the defendant STUART B. MILLNER and others known and unknown to the Grand Jury, with the intent to defraud, devised and participated in a scheme to defraud, and to obtain money, property, and property rights from, clients and creditors of SBMA through the use of material false representations, pretenses, and promises, both express and implied, all as set forth further below.

### **MANNER AND MEANS OF THE SCHEME**

12. The manner and means of the scheme are further described as follows:

a. It was part of the scheme that MILLNER operated SBMA in a manner similar to a Ponzi scheme, whereby proceeds from the sale of particular clients' property would not be held on account for the benefit of those clients, but would instead be misappropriated by SBMA in order to pay debts owed to earlier clients of SBMA's, as well as to pay debts and obligations owed to other creditors and to fund SBMA's operations.

b. It was further part of the scheme that MILLNER would falsely promise clients, in the Agreements and otherwise, that SBMA would pay its clients an amount equal to the Client Proceeds within thirty (31) days after the client's property had been sold and removed from the client's premises, which promises were materially false in that, at the time the promises were made, MILLNER intended instead to use the Client Proceeds obtained from the sale of particular clients' property to pay debts owed to earlier clients of SBMA's, as well as to pay other debts and other obligations of SBMA's and to fund its operations.

c. It was part of the scheme that MILLNER would cause SBMA to falsely report to clients the prices at which their property had been sold to particular buyers, in order to reduce the sum of money that such clients would expect to be returned to them from those sales and to permit SBMA to take from the proceeds of those sales, and to conceal the fact that SBMA had taken from those proceeds, a sum far in excess of the Commissions to which SBMA was entitled to under the Agreements.

d. It was further part of the scheme that MILLNER would cause SBMA to provide materially false explanations to SBMA's clients for its failure to remit the Client Proceeds to each

particular client in a timely manner, which false explanations were provided in order to conceal the fact that SBMA had misappropriated a portion of those proceeds.

e. It was further part of the scheme that MILLNER caused a financial statement to be produced and provided to StanCorp Mortgage Investors, LLC in connection with an application for a \$3,000,000.00 loan on behalf of Garvin, which financial statement was materially false in that it overstated the value of assets owned by MILLNER and related entities and understated and omitted debts and obligations owed by MILLNER and related entities, which had the additional effect of making those statements, as a whole, materially false.

f. It was further part of the scheme that MILLNER caused a financial statement to be produced and provided to Ridgestone Bank in connection with an application for a \$3,000,000.00 loan on behalf of CBC, which financial statement was materially false in that it overstated the value of assets owned by MILLNER and related entities and understated and omitted debts and obligations owed by MILLNER and related entities, which had the additional effect of making those statements, as a whole, materially false.

g. It was further part of the scheme that MILLNER instructed employees of SBMA that, in order to pay debts and obligations owed by SBMA, they should “use other people’s money.” MILLNER by this expression meant to refer to the use of Client Proceeds held on account for one client to pay debts and obligations owed by SBMA to others.

h. It was further part of the scheme that MILLNER instructed employees of SBMA to use Client Proceeds to pay expenses of other entities, including Garvin, CBC, and Machinery Mart.

i. It was further part of the scheme that MILLNER caused to be created a rental agreement that made it appear that CBC was letting property to Machinery Mart at a rental fee of

approximately \$10,000.00 per month, when in fact MILLNER knew that Machinery Mart was not capable of paying any such rents. Instead, rents owed by Machinery Mart were paid to CBC by SBMA directly.

j. As a part and result of the scheme, MILLNER obtained approximately \$6,000,000.00 in loan proceeds from Ridgestone Bank and StanCorp Mortgage Investors, LLC on behalf of CBC and Garvin through the use of materially false pretenses, representations, and promises, and in addition caused an actual loss to the clients of SBMA of no less than \$2,500,000.00.

**COUNT I**  
**(Bank Fraud)**

13. Each of the allegations in Paragraphs 1 through 12 of this Indictment is hereby incorporated by reference as if fully set forth herein.

14. On or about January 7, 2014, in the Eastern District of Missouri and elsewhere, having devised the above-described scheme and artifice to defraud and to obtain money, property, and property rights through material false and fraudulent pretenses, representations, and promises and for the purpose of executing and attempting to execute that scheme, the Defendant

**STUART B. MILLNER**

and others known and unknown to the Grand Jury did knowingly execute said scheme and artifice to defraud a financial institution and to obtain money, funds, assets, and other property owned by, and under the custody and control of, a financial institution, by means of such false and fraudulent pretenses, representations, and promises, by causing to be submitted a loan application to StanCorp Mortgage Investors, LLC on behalf of Garvin, reflecting MILLNER's financial position

as of September 6, 2013 and stating a net worth of \$15,890,000.00, which personal financial statement was materially false.

In violation of Title 18, United States Code, Section 1344.

**COUNT II**  
**(Bank Fraud)**

15. Each of the allegations in Paragraphs 1 through 12 of this Indictment is hereby incorporated by reference as if fully set forth herein.

16. On or about March 3, 2014, in the Eastern District of Missouri and elsewhere, having devised the above-described scheme and artifice to defraud and to obtain money, property, and property rights through material false and fraudulent pretenses, representations, and promises and for the purpose of executing and attempting to execute that scheme, the Defendant

**STUART B. MILLNER**

and others known and unknown to the Grand Jury did knowingly execute said scheme and artifice to defraud a financial institution and to obtain money, funds, assets, and other property owned by, and under the custody and control of, a financial institution, by means of materially false and fraudulent pretenses, representations, and promises, by causing to be submitted a personal financial statement to Ridgestone Bank, a financial institution, reflecting MILLNER's financial position as of March 1, 2014 and stating a net worth of \$12,687,250.00, which personal financial statement was materially false.

In violation of Title 18, United States Code, Section 1344.



**COUNT III**  
**(Bank Fraud)**

17. Each of the allegations in Paragraphs 1 through 12 of this Indictment is hereby incorporated by reference as if fully set forth herein.

18. On or about May 6, 2014, in the Eastern District of Missouri and elsewhere, having devised the above-described scheme and artifice to defraud and to obtain money, property, and property rights through material false and fraudulent pretenses, representations, and promises and for the purpose of executing and attempting to execute that scheme, the Defendant

**STUART B. MILLNER**

and others known and unknown to the Grand Jury did knowingly execute said scheme and artifice to defraud a financial institution and to obtain money, funds, assets, and other property owned by, and under the custody and control of, a financial institution, by means of such false and fraudulent pretenses, representations, and promises, by causing to be submitted a loan application to Ridgestone Bank on behalf of CBC.

In violation of Title 18, United States Code, Section 1344.

**COUNT IV**  
**(Mail Fraud Affecting a Financial Institution)**

19. Each of the allegations in Paragraphs 1 through 12 of this Indictment is hereby incorporated by reference as if fully set forth herein.

20. On or about September 11, 2014, in the Eastern District of Missouri and elsewhere, having devised the above-described scheme and artifice to defraud and to obtain money, property, and property rights through material false and fraudulent pretenses, representations, and promises, and for the purpose of executing and attempting to execute that scheme, the Defendant



**STUART B. MILLNER**

and others known and unknown to the Grand Jury did knowingly cause to be delivered by a private and commercial interstate carrier a certain matter, to wit, a cashier's check issued by Ridgestone Bank in the total amount of approximately \$10,000.00 payable to CBC, which violation affected Ridgestone Bank, a financial institution.

In violation of Title 18, United States Code, Section 1341.

**COUNT V**  
**(Wire Fraud)**

21. Each of the allegations in Paragraphs 1 through 12 of this Indictment is hereby incorporated by reference as if fully set forth herein.

22. On or about August 1, 2014, in the Eastern District of Missouri and elsewhere, having devised the above-described scheme and artifice to defraud and to obtain money, property, and property rights through material false and fraudulent pretenses, representations, and promises and for the purpose of executing and attempting to execute that scheme, the Defendant

**STUART B. MILLNER**

and others known and unknown to the Grand Jury did knowingly cause to be transmitted by means of wire and radio communication in interstate commerce, a writing, sign, signal, and picture, to wit, an email from an individual with the initials S.B. to an individual with the initials D.Z., to which email was attached an invoice reflecting the purchase of an AIDA Press by a company with the initials D.D.I.I., for the price of \$600,000.00 plus a \$50,000.00 Buyer's Premium.

In violation of Title 18, United States Code, Section 1343.

**COUNT VI**  
**(Wire Fraud)**

23. Each of the allegations in Paragraphs 1 through 12 of this Indictment is hereby incorporated by reference as if fully set forth herein.

24. On or about August 1, 2014, in the Eastern District of Missouri and elsewhere, having devised the above-described scheme and artifice to defraud and to obtain money, property, and property rights through material false and fraudulent pretenses, representations, and promises and for the purpose of executing and attempting to execute that scheme, the Defendant

**STUART B. MILLNER**

and others known and unknown to the Grand Jury did knowingly cause to be transmitted by means of wire and radio communication in interstate commerce, a writing, sign, signal, and picture, to wit, a wire transfer of funds in the amount of approximately \$650,000.00 from an account of a company with the initials D.D.I.I., at Signature Bank, N.A. in Toledo, Ohio, to the Escrow Account at Bank of Sullivan in Sullivan, Missouri.

In violation of Title 18, United States Code, Section 1343.

**COUNT VII**  
**(Wire Fraud)**

25. Each of the allegations in Paragraphs 1 through 12 of this Indictment is hereby incorporated by reference as if fully set forth herein.

26. On or about September 3, 2014, in the Eastern District of Missouri and elsewhere, having devised the above-described scheme and artifice to defraud and to obtain money, property, and property rights through material false and fraudulent pretenses, representations, and promises and for the purpose of executing and attempting to execute that scheme, the Defendant

**STUART B. MILLNER**

and others known and unknown to the Grand Jury did knowingly cause to be transmitted by means of wire and radio communication in interstate commerce, a writing, sign, signal, and picture, to wit, an email from an individual with the initials V.C. to an individual with the initials J.P., which email indicated that the AIDA Press had been sold for a price of \$450,000.00, plus a \$67,500.00 Buyer's Premium.

In violation of Title 18, United States Code, Section 1343.

**COUNT VIII**  
**(Wire Fraud)**

27. Each of the allegations in Paragraphs 1 through 12 of this Indictment is hereby incorporated by reference as if fully set forth herein.

28. On or about December 3, 2014, in the Eastern District of Missouri and elsewhere, having devised the above-described scheme and artifice to defraud and to obtain money, property, and property rights through material false and fraudulent pretenses, representations, and promises and for the purpose of executing and attempting to execute that scheme, the Defendant

**STUART B. MILLNER**

and others known and unknown to the Grand Jury did knowingly cause to be transmitted by means of wire and radio communication in interstate commerce, a writing, sign, signal, and picture, to wit, a wire transfer in the amount of approximately \$230,172.50 from an account of a company with the initials P.T.I.I. at Hinsdale Bank in Hinsdale, Illinois to the Escrow Account at Bank of Sullivan in Sullivan, Missouri.

In violation of Title 18, United States Code, Section 1343.

**COUNT IX**  
**(Mail Fraud)**

29. Each of the allegations in Paragraphs 1 through 12 of this Indictment is hereby incorporated by reference as if fully set forth herein.

30. On or about December 8, 2014, in the Eastern District of Missouri and elsewhere, having devised the above-described scheme and artifice to defraud and to obtain money, property, and property rights through material false and fraudulent pretenses, representations, and promises and for the purpose of executing and attempting to execute that scheme, the Defendant

**STUART B. MILLNER**

and others known and unknown to the Grand Jury did knowingly cause to be deposited to be sent and delivered by a private and commercial interstate carrier a certain matter, to wit, a check in the total amount of approximately \$37,815.59, payable to a company with the initials T.E.

In violation of Title 18, United States Code, Section 1341.

**COUNT X**  
**(Mail Fraud)**

31. Each of the allegations in Paragraphs 1 through 12 of this Indictment is hereby incorporated by reference as if fully set forth herein.

32. On or about May 15, 2015, in the Eastern District of Missouri and elsewhere, having devised the above-described scheme and artifice to defraud and to obtain money, property, and property rights through material false and fraudulent pretenses, representations, and promises and for the purpose of executing and attempting to execute that scheme, the Defendant

**STUART B. MILLNER**

and others known and unknown to the Grand Jury did knowingly cause to be deposited to be sent and delivered by a private and commercial interstate carrier a certain matter, to wit, a check in the total amount of approximately \$25,000.00, payable to a company with the initials B.P.C.

In violation of Title 18, United States Code, Section 1341.

**FORFEITURE ALLEGATIONS**

The Grand Jury further finds probable cause that:

33. Pursuant to Title 18, United States Code, Section 981(a) and Title 28, United States Code, Section 2461(c), upon conviction of an offense in violation of Title 18, United States Code, Section 1341, 1343, or 1344 as set forth in Counts I through X, the defendant shall forfeit to the United States of America any property, real or personal, constituting or derived from any proceeds traceable to said offense.

34. Subject to forfeiture is a sum of money equal to the total value of any property, real or personal, constituting or derived from any proceeds traceable to said offense.

35. Specific property subject to forfeiture includes, but is not limited to, the following real property, together with all appurtenances, improvements, and attachments thereon:

- a. 1511 Read Street, Evansville, Indiana 47710;
- b. 225 West Morgan Avenue, Evansville, Indiana 47710;
- c. 2743 Camp Mo-Val Road, Union, Missouri 63084; and
- d. Columbus Business Center, 133 Yorkville Road East, Columbus, Mississippi 39702.

36. Specific property subject to forfeiture also includes, but is not limited to, the following personal property:

- a. approximately \$168,281.80 in funds from U.S. Bank account #152315126036;
- b. approximately \$52,812.58 in funds from U.S. Bank account #152309368867;
- c. approximately \$32,325.38 in funds from US Bank account #152315124544;
- d. approximately \$16,886.78 in funds from United Bank of Union account #3003006433;
- e. approximately \$707.81 in funds from Bank of Sullivan account #1014616444;
- f. approximately \$5,000.00 in funds from Bank of Sullivan account #1014635044;
- g. approximately \$37,687.55 in funds from Bank of Sullivan account #1014635007;
- h. approximately \$5,037.18 in funds from Bank of Sullivan account #3009275220;
- i. approximately \$2,596.93 in funds from Bank of Sullivan account #1007280211;
- j. one 2006 Dodge Dakota Quad Cab SLT, VIN: 1D3HW48N56S639472;
- k. one 2012 Lexus RX350, VIN - 2T2ZK1BA4CC084732;
- l. one 2007 Ford Expedition, VIN – 1FMFU18577LA82270;
- m. one 2011 Chevrolet Malibu LTZ, VIN – 1G1ZE5EU6BF359038;
- n. one 2011 Chevrolet Malibu LTZ, VIN – 1G1ZE5EU8BF349305;
- o. one 2011 Ford E350 Super Duty Sport Van, VIN – 1FBNE3BL4BDB07522; and
- p. one 2013 Chevrolet Cruze, VIN – 1G1PA5SH0D7155049.

37. If any of the property described above, as a result of any act or omission of the defendant:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the court;
- d. has been substantially diminished in value; or

e. has been commingled with other property which cannot be divided  
without difficulty,

the United States of America will be entitled to the forfeiture of substitute property pursuant to  
Title 21, United States Code, Section 853(p).

A TRUE BILL.

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FOREPERSON

RICHARD G. CALLAHAN  
United States Attorney

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RICHARD E. FINNERAN, #60768MO  
Assistant United States Attorney